THE KAISER FAMILY FOUNDATION -AND- HEALTH RESEARCH AND EDUCATIONAL TRUST

Employer Health Benefits

2007 Summary of Findings

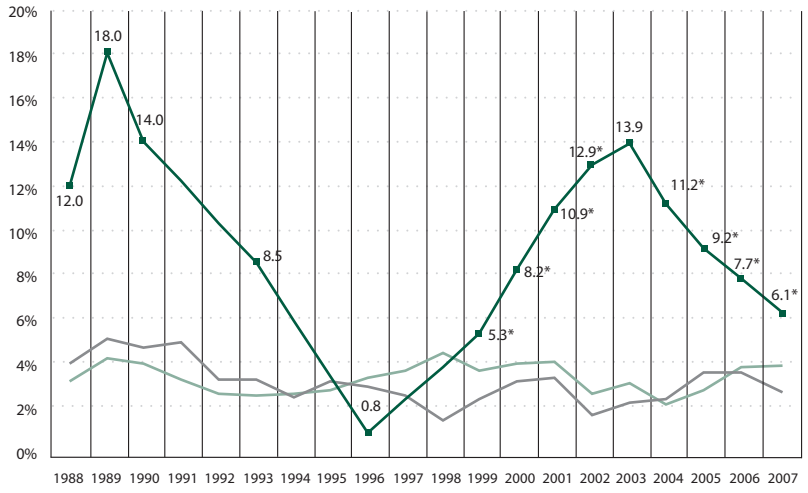
AS THE LEADING SOURCE OF HEALTH INSURANCE, EMPLOYER-SPONSORED INSURANCE COVERS ABOUT 158 MILLION NONELDERLY PEOPLE IN AMERICA.[1] TO PROVIDE CURRENT INFORMATION ABOUT THE NATURE OF EMPLOYER-SPONSORED HEALTH BENEFITS, THE KAISER FAMILY FOUNDATION (KAISER) AND THE HEALTH RESEARCH AND EDUCATIONAL TRUST (HRET) CONDUCT AN ANNUAL NATIONAL SURVEY OF PRIVATE AND PUBLIC EMPLOYERS OF THREE OR MORE WORKERS.

The key findings from the 2007 survey include the fourth consecutive year of a lower rate of growth for health insurance premiums, the lowest since 1999. However, as in prior years, the average premium increase continues to outpace workers' earnings and inflation. The types of plans in which workers enroll are similar to last year. The percentage of employers sponsoring insurance remains stable, with no significant increase in the percentage of employers offering high-deductible health plans with a savings option (HDHP/SO).

The 2007 survey repeated the detailed questions regarding deductibles and out-of-pocket maximum amounts that were introduced in the 2006 survey and expanded the number of questions on office-visit and other types of cost sharing.

EXHIBIT A

Increases in Health Insurance Premiums Compared to Other Indicators, 1988–2007



	1988	1989	1990	1993	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007
HEALTH INSURANCE PREMIUMS	12.0	18.0	14.0	8.5	0.8	5.3*	8.2*	10.9*	12.9*	13.9	11.2*	9.2*	7.7*	6.1*
OVERALL INFLATION	3.9	5.1	4.7	3.2	2.9	2.3	3.1	3.3	1.6	2.2	2.3	3.5	3.5	2.6
WORKERS' EARNINGS	3.1	4.2	3.9	2.5	3.3	3.6	4.0	4.0	2.6	3.0	2.1	2.7	3.8	3.7

*Estimate is statistically different from estimate for the previous year shown (p<.05). No statistical tests are conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988–2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988–2007 (April to April).

HEALTH INSURANCE PREMIUMS

Between spring of 2006 and spring 2007, premiums increased an average of 6.1% for employer-sponsored health insurance, a slower rate than the 7.7% increase in 2006 (Exhibit A).[2] This is the fourth consecutive year with a lower rate of growth than the previous year, and the lowest rate of growth since 1999, when premiums increased 5.3%. Even as premium growth moderates, the rate of increase continues to be higher than the growth in workers' earnings (3.7%) and inflation (2.6%).

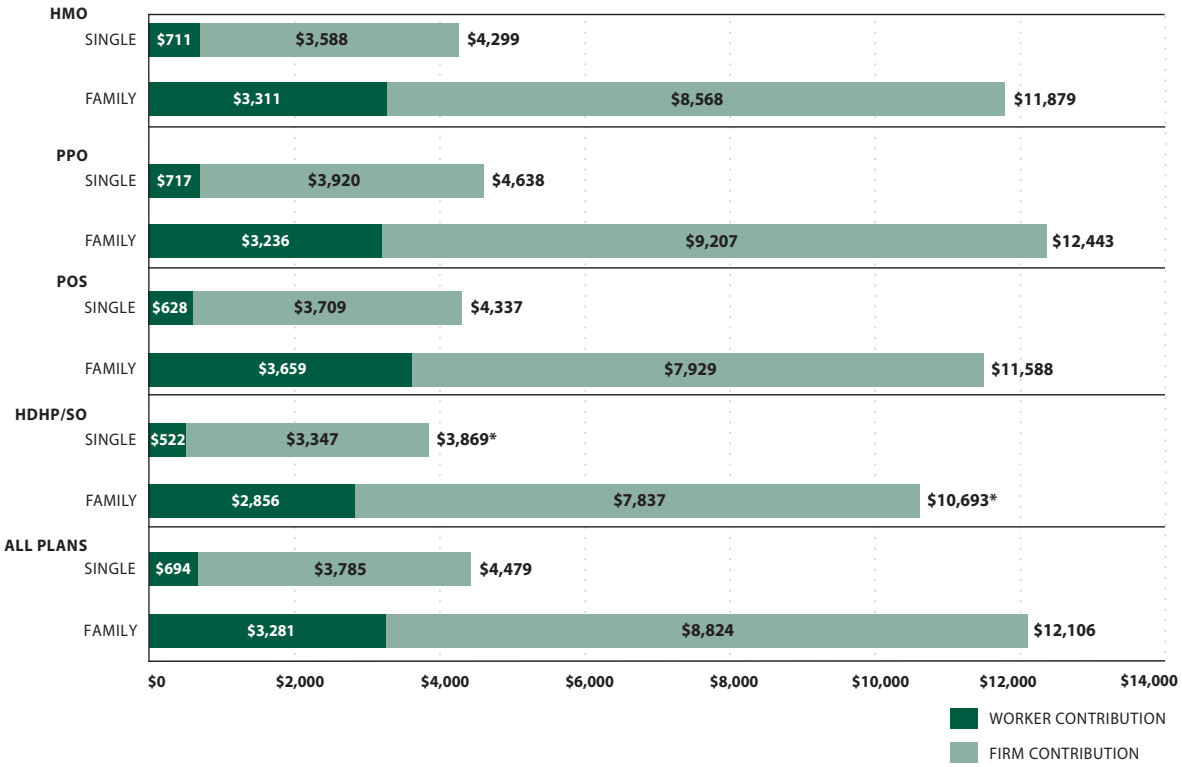
While the average premium increase is 6.1% in 2007, 10% of covered workers are employed by firms that experienced premium increases of greater than 15%, and 46% are in firms with premium increases of 5% or less. The rate of growth was similar for small firms (3–199 workers) and large firms (200 or more workers) and for fully insured and self-funded plans.

The average annual total premium cost is $4,479 for single coverage and $12,106 for family coverage (Exhibit B). Average premiums for single and family coverage are similar for small firms (3–199 workers) and large firms (200 or more workers). Average premiums for HDHP/SOs are lower than the overall average for all plan types for both single and family coverage (this premium amount does not include any employer contributions to savings account options).

About 80% of workers with single coverage and 94% of workers with family coverage contribute to the total premium for their coverage. The average annual worker contributions for single and family coverage are $694 and $3,281, respectively, and are significantly higher than the amounts reported in 2006. For single coverage, workers in small firms (3–199 workers) contribute less on average than workers in large firms (200 or more workers) ($561 vs. $759).

EXHIBIT B

Average Annual Firm and Worker Premium Contributions and Total Premiums for Covered Workers for Single and Family Coverage, by Plan Type, 2007

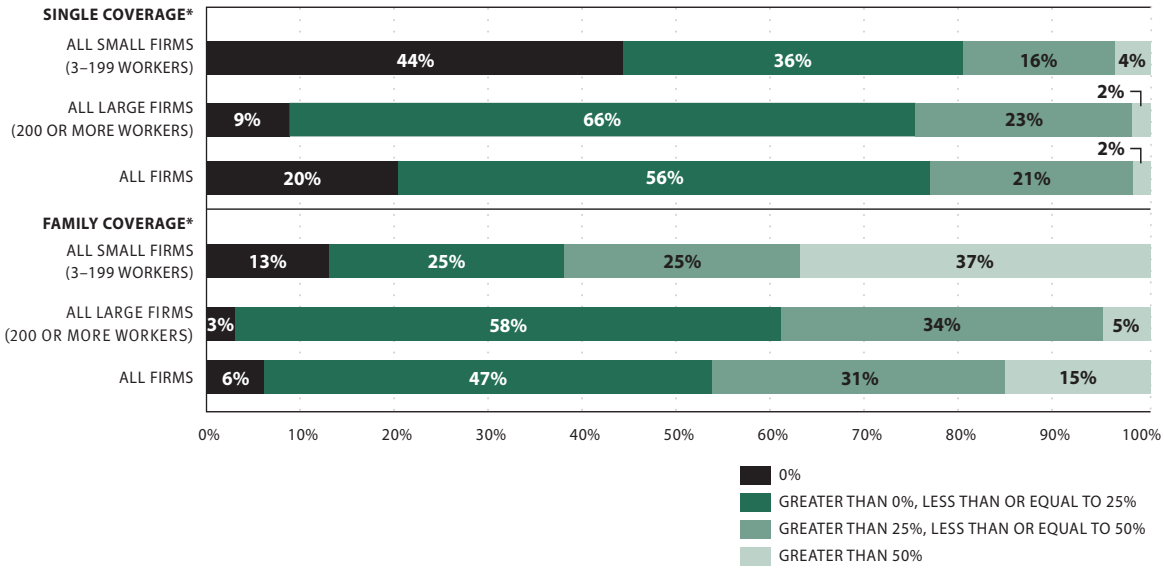


* Estimate of Total Premium is statistically different from All Plans estimate by coverage type (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

EXHIBIT C

Distribution of Percentage of Premium Paid by Covered Workers for Single and Family Coverage, by Firm Size, 2007



* Distributions for All Small Firms and All Large Firms are statistically different (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

This trend reverses for family coverage, where workers in small firms contribute significantly more than workers in large firms ($4,236 vs. $2,831). While the dollar amounts are increasing, the share of the premium paid by covered workers remains stable. In 2007, the average percentage of the premium paid by covered workers is 16% for single coverage and 28% for family coverage, similar to the percentages reported for the last several years. However, for single coverage, over one-fifth of workers pay greater than 25% of the total premium while another fifth pay no contribution. For family coverage, 47% pay greater than 25% of the total premium and only 6% have no contribution (Exhibit C).

The majority (57%) of covered workers are enrolled in preferred provider organizations (PPOs). Health maintenance organizations (HMOs) cover 21%, followed by point-of-service (POS) plans (13%), HDHP/SOs (5%), and conventional plans (3%).

EMPLOYEE COST SHARING

In addition to their premium contributions, most covered workers face additional payments when they use health care services. In PPOs, 71% of covered workers with single coverage have a general annual deductible that they pay before coverage for most services begins. Almost half (48%) of workers in POS plans and about 18% of workers in HMOs face a general annual deductible for single coverage. Many workers with no deductible have other forms of cost sharing for office visits or other services.

The average general annual deductibles (for workers with a deductible) for single coverage are $461 for workers in PPOs, $401 for workers in HMOs, $621 for workers in POS plans, and $1,729 for workers in HDHP/SOs (who by definition have high deductibles). Like last year, workers in small firms (3–199 workers) face higher deductibles than workers in large firms (200 or more workers) for PPOs, POS plans, and HDHP/SOs.[3] However, some plans cover certain services before the deductible is met. For example, 66% of covered workers with a general annual deductible enrolled in PPOs, the most common plan type, do not have to meet the deductible before preventive care is covered.

In addition to any general plan deductible, over 95% of covered workers face cost sharing when admitted to the hospital or when they have outpatient surgery. Cost sharing may include a separate hospital deductible, copayment, coinsurance, or a per diem charge. About 12% of workers in PPOs, 15% of workers in HMOs, and 23% of workers in POS plans have a separate hospital deductible. The average hospital deductibles are similar across plan types ($334 for PPOs, $323 for HMOs, and $340 for POS plans). Forty-three percent of covered workers have coinsurance for hospital admissions in addition to any deductible with an average coinsurance rate of 17%. A smaller percentage of workers (20%) have a copayment, which averages $208.

Most workers face some form of cost sharing when visiting the emergency room, for urgent care, or for an advanced diagnostic test. For example, 86% of covered workers have cost sharing for urgent care visits. Similarly, almost all covered workers (93%) have cost sharing for emergency room visits, but 79% of workers with emergency room cost sharing are in plans where the cost sharing is waived if the individual is admitted to the hospital.

The majority of workers have copayments or coinsurance for physician office visits. Among the 79% of workers with copayments for in-network office visits, 75% have a copayment of $15, $20, or $25 per visit with a primary care physician. Workers in HDHP/SOs are more likely to have coinsurance than workers with other plan types and are also more likely to have no cost sharing once the deductible has been met. Workers that see out-of-network physicians are more likely to pay coinsurance (80%) rather than copayments (9%).

As with physician office visits, most covered workers face copayments or coinsurance for prescription drugs. About three in four covered workers are in plans with three or four-tier cost-sharing arrangements, and most face copayments rather than coinsurance for the first three

EXHIBIT D

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2007*

FIRM SIZE	1999	2000	2001	2002	2003	2004	2005	2006	2007
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%	45%
All Small Firms (3–199 Workers)	**65%**	**68%**	**68%**	**66%**	**65%**	**63%**	**59%**	**60%**	**59%**
All Large Firms (200 or More Workers)	**99%**	**99%**	**99%**	**98%**	**98%**	**99%**	**98%**	**98%**	**99%**
ALL FIRMS	**66%**	**69%**	**68%**	**66%**	**66%**	**63%**	**60%**	**61%**	**60%**

*Tests found no statistical difference from estimate for the previous year shown (p<.05).

Note: As noted in the Survey Design and Methods section, estimates presented in this exhibit are based on the sample of both firms that completed the entire survey and those that answered just one question about whether they offer health benefits.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2007.

tiers. For workers in plans with a fourth tier, the percentages of covered workers facing copayments and coinsurance are roughly comparable. Among workers with three or four-tier plans, the average copayments are $11 for generic drugs, $25 for preferred drugs, and $43 for nonpreferred drugs. The average copayment for fourth-tier drugs is $71 and the average coinsurance is 36%.[4] Covered workers in HDHP/SOs are less likely to be in plans with three or four-tier cost sharing. In contrast, they are more likely to be in plans where there is no cost sharing after the deductible is met and in plans where the payment is the same regardless of the type of drug, where they are also more likely to face coinsurance than workers in HMOs or PPOs.[5]

Most covered workers are in a plan that partially or totally limits the cost sharing that a worker must pay under their health plan in a year, generally referred to as an out-of-pocket maximum. Seventy-one percent of workers with single or family coverage have an out-of-pocket maximum, down from 79% (for single coverage and 78% for family coverage in 2006). However, it should be noted that some workers with no out-of-pocket limit may have low cost sharing.[6] Out-of-pocket limits vary considerably; for example, among covered workers in plans that have an out-of-pocket limit for single coverage, 22% are in plans with an annual out-of-pocket maximum of $3,000 or more, while 28% are in plans with out-of-pocket maximum of less than $1,500. For family coverage, 24% of workers are in plans with an out-of-pocket maximum of $6,000 or more and 10% are in plans with a limit of less than $2,000.[7] However, not all spending counts towards the out-of-pocket limit. For example, among workers in PPOs, 73% are in plans that do not count office-visit copayments and 32% are in plans that do not count spending for the general annual deductible when determining if an enrollee has reached his or her out-of-pocket maximum.

AVAILABILITY OF EMPLOYER-SPONSORED COVERAGE

Sixty percent of employers offer health benefits in 2007, similar to the 61% offer rate reported in 2006 but lower than the 69% offer rate in 2000. The drop in the overall offer rate is driven by the declining percentage of small firms (3–199 workers) that offer coverage. Among firms with 3 to 9 workers, the offer rate has dropped from 57% in 2000 to 45% in 2007. Over this same time period, the offer rate has remained stable for firms with 200 or more workers at 98% or 99% (Exhibit D).

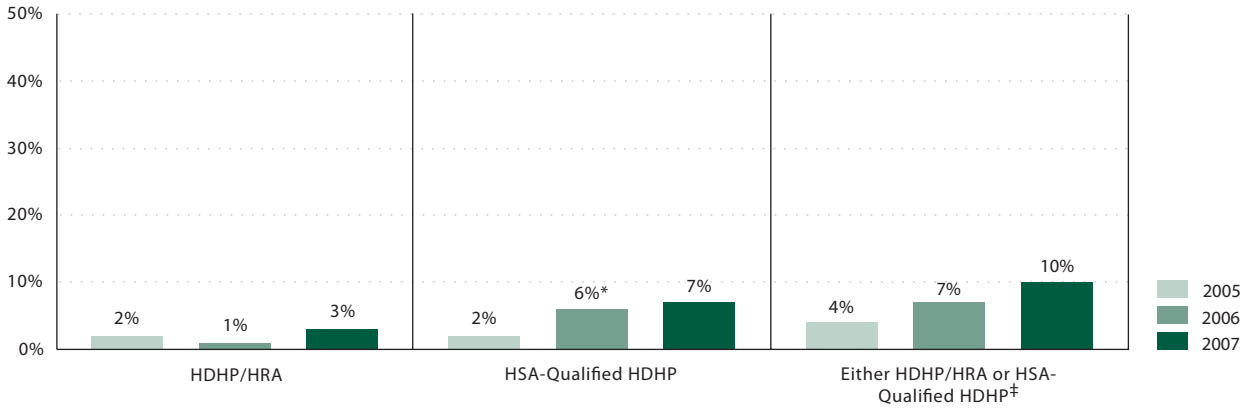
The percentage of firms offering coverage increases as the size of the firm increases. As previously mentioned, the smallest firms (3–9 workers) remain least likely to offer health benefits at 45%. Among firms with 10 to 24 workers, the percentage jumps to 76%, and among firms with 25 to 49 workers it increases to 83%. Over 95% of firms with 50 or more employees offer health insurance.

As we have seen in past years, the offer rate is higher for firms with at least some union workers (99%) compared to firms with no union workers (57%). Firms with a lower proportion of lower-wage workers (less than 35% of workers earn $21,000 or less annually) are also more likely to offer benefits compared to firms with a higher proportion of lower-wage employees (35% or more earn $21,000 or less annually) (67% vs. 36%).

Even in firms that offer coverage, not all workers are covered. Some workers are not eligible to enroll as a result of waiting periods or minimum work-hour rules, and others choose not to enroll, perhaps because they must pay a share of the premium or can get coverage through a spouse. Among firms that offer coverage, an average of 79% of workers are eligible for the health benefits offered by their employer. Of those eligible, 82% take up coverage, resulting in 65% of workers in firms offering health benefits having coverage through their employer. Among both firms that offer and do not offer health benefits, 59% of workers are covered by health plans offered by their employer.

EXHIBIT E

Among Firms Offering Health Benefits, Percentage That Offer an HDHP/HRA and/or an HSA-Qualified HDHP, 2005–2007



* Estimate is statistically different from estimate for the previous year shown (p<.05).

‡ The 2007 estimate includes 0.2% of all firms offering health benefits that offer both an HDHP/HRA and an HSA-qualified HDHP. The comparable percentages for 2005 and 2006 are 0.3% and 0.4%, respectively.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005–2007.

This year, the survey asked employers that offer health insurance if they offer health benefits to domestic partners. Thirty-seven percent offer health benefits to same-sex domestic partners and 47% of firms offer health benefits to opposite-sex domestic partners. These percentages are considerably higher than those we reported in 2004 (14% for same-sex domestic partners and 12% for opposite-sex domestic partners), but a change in the way the question was asked may account for some or all of the difference.[8]

HIGH-DEDUCTIBLE HEALTH PLANS WITH SAVINGS OPTION

Last year was the first year information on high-deductible health plans with a savings option (HDHP/SO) was collected as a separate plan type. HDHP/SOs include (1) health plans with a deductible of at least $1,000 for single coverage and $2,000 for family coverage offered with an Health Reimbursement Arrangement (HRA), referred to as "HDHP/HRAs," and (2) high-deductible health plans that meet the federal legal requirements to permit an enrollee to establish and contribute to a Health Savings Account (HSA), referred to as "HSA-qualified HDHPs."

Ten percent of firms offering health benefits offer an HDHP/SO in 2007, but the difference from the 7% reported in 2006 is not statistically significant. Firms with 1,000 or more workers are more likely to offer HDHP/SOs (18%) than firms with 3 to 999 workers (10%). Among firms offering health benefits, 3% offer an HDHP/HRA and 7% offer an HSA-qualified HDHP; neither estimate is a significant increase from the percentages reported in 2006 (Exhibit E). About 3.8 million (5%) covered workers are enrolled in HDHP/SOs, with about 1.9 million (3%) covered workers enrolled in each type of HDHP/SO (Exhibit F).

Annual deductibles for single coverage for HDHP/HRAs and HSA-qualified HDHPs average $1,556 and $1,923, respectively. However, these deductibles vary considerably; for example, 24% of workers enrolled in an HSA-qualified HDHP for single coverage have a deductible between $1,100 and $1,499, while 54% have a deductible of $2,000 or more. The average aggregate annual deductible for family coverage for HDHP/HRAs is $3,342 and $3,883 for HSA-qualified HDHPs. Some HDHP/SOs cover preventive services before the deductible is met; 88% of workers in HDHP/HRAs and 86% of workers in HSA-qualified HDHPs have preventive benefits covered before having to meet the deductible.

Average total premiums for HDHP/SOs are lower than the average premium for workers in plans that are not HDHP/SOs for both single and family coverage (Exhibit G). The average worker premium contribution for HDHP/SO coverage is lower than the average worker premium contribution for single coverage for workers not in HDHP/SOs.

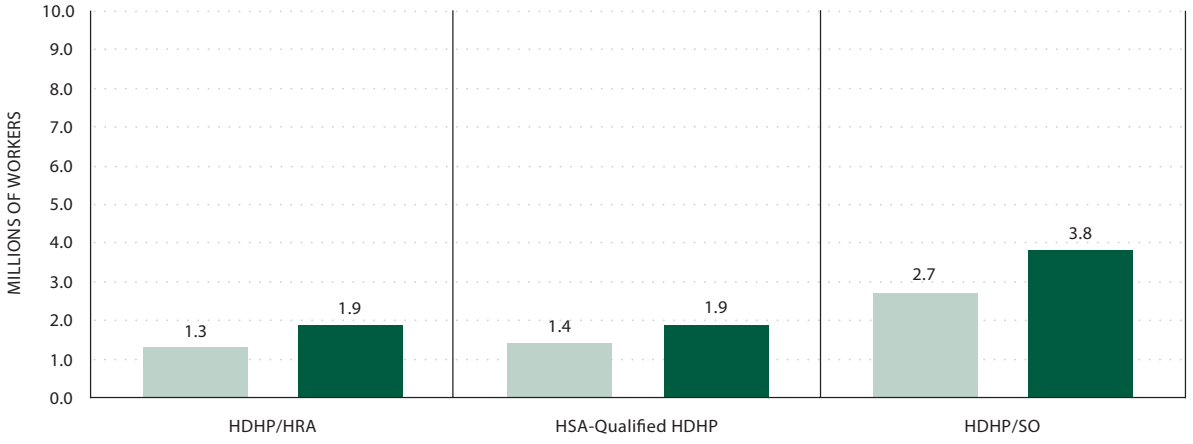
The distinguishing aspect of these high deductible plans is the savings feature available to employees. Workers enrolled in an HDHP/HRA receive an average annual contribution from their employer of $915 for single coverage and $1,800 for family coverage (Exhibit H). The average contributions to HSAs are $428 for single coverage and $714 for family coverage. However, among firms offering an HSA-qualified HDHP, about two-thirds of firms do not make a contribution to the HSA for single coverage (covering 47% of workers in these plans) and 47% of firms do not make a contribution to the HSA for family coverage (covering 45% of workers with these plans). If workers with no employer contribution to their HSA are excluded from the calculation the average annual employer HSA contributions are $806 and $1,294 for single and family coverage, respectively.

RETIREE COVERAGE

The percentage of large firms (200 or more workers) offering retiree health benefits in 2007 is 33%, similar to the 2006 offer rate of 35%. Among large firms (200 or more workers) that offer

EXHIBIT F

Number of Covered Workers Enrolled in HDHP/SOs, 2006–2007*



*Tests found no statistical differences from estimate for the previous year shown (p<.05).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006–2007.

retiree health benefits, 92% offer health benefits to early retirees and 71% offer health benefits to Medicare-age retirees. These percentages are similar to the percentages reported in 2006.

UTILIZATION MANAGEMENT

The survey periodically asks about the utilization management provisions of the firm's plan with the largest enrollment. In 2007, about two-thirds of firms report that their health plan with the largest enrollment requires pre-admission certification for inpatient hospital care. About 55% report that the plan requires pre-admission certification for outpatient surgery, and 48% state that the plan includes case management for large claims.

OTHER BENEFITS

Section 125 of the Internal Revenue Service Code permits employers to establish programs that allow employees to make contributions towards the cost of health insurance and to pay for health care services with pre-tax dollars through a flexible spending account.[9] Sixty-one percent of firms that offer health benefits allow employees to use pre-tax dollars to pay for health insurance premiums. Large firms (200 or more workers) are more likely to offer this benefit than small firms (3–199 workers) (92% vs. 60%). A smaller percentage (22%) of offering firms offer a flexible spending account, but again, large firms (200 or more workers) are more likely to offer this benefit than small firms (3–199 workers) (73% vs. 20%) (Exhibit I).

We asked employers for the first time this year if they offer long-term care insurance to their employees. Nineteen percent of employers offering health benefits reported that they offer long-term care insurance, with no significant difference between the percentage of small firms (3–199 workers) and large firms (200 or more workers) offering the benefits.

OUTLOOK FOR THE FUTURE

Each year we ask employers what changes they plan to make to their health plans in the next year. Among those that offer benefits, large percentages of firms report that in the next year they are very or somewhat likely to increase the amount workers contribute to premiums (45%), increase deductible amounts (37%), increase office visit cost sharing (42%), or increase the amount that employees have to pay for prescription drugs (41%). Although firms report planning to increase the amount employees have to pay when they have insurance, few firms report they are somewhat or very likely to drop coverage (3%) or limit eligibility (5%) in the next year. And even though the HDHP/SO offer rate or enrollment did not increase significantly from 2006, one-fifth of firms report being somewhat likely (18%) or very likely (2%) to offer an HSA-qualified HDHP in the next year, and almost one-quarter report being somewhat likely (21%) or very likely (3%) to offer an HDHP/HRA in the next year.

The employer-sponsored health benefits market did not experience large changes in 2007. Employers and employees benefited from the continued moderation in the rate of premium increases, a welcome relief from the much higher growth rates earlier in the decade. History suggests that premium trends are cyclical,[10] and after four years of downward premium trends, it is unclear how much longer this relative lull in premium growth will continue before pressures on health insurers to improve profitability will push premium trends on an upward path. While widespread adoption of HDHP/SOs could help maintain lower premium growth with firms moving to less expensive packages

EXHIBIT G

Average Annual Premiums, Worker and Firm Contributions for Covered Workers in HDHP/SOs and All Other Non-HDHP/SO Plans, 2007

	All Other Non-HDHP/SO Plans‡		HDHP/SO	
	Single	Family	Single	Family
Worker Contribution to Premium	$704*	$3,304	$522*	$2,856
Firm Contribution to Premium	$3,810*	$8,879*	$3,347*	$7,837*
Total Annual Premium	$4,514*	$12,183*	$3,869*	$10,693*
Annual Firm Contribution to the HRA or HSA	NA	NA	$682	$1,298
Total Annual Spending (Total Premium Plus Firm Contribution to HRA or HSA)	$4,514	$12,183	$4,550	$11,991

* Estimate for All Other Non-HDHP/SO Plans is statistically different from estimate for HDHP/SOs (p<.05).

NA: Not Applicable.

‡ In order to compare spending for HDHP/SOs to all other plans that are not HDHP/SOs, we created composite variables excluding HDHP/SO data.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

EXHIBIT H

Average Annual Premiums and Contributions to Spending Accounts for Covered Workers, HDHP/HRA and HSA-Qualified HDHP, 2007

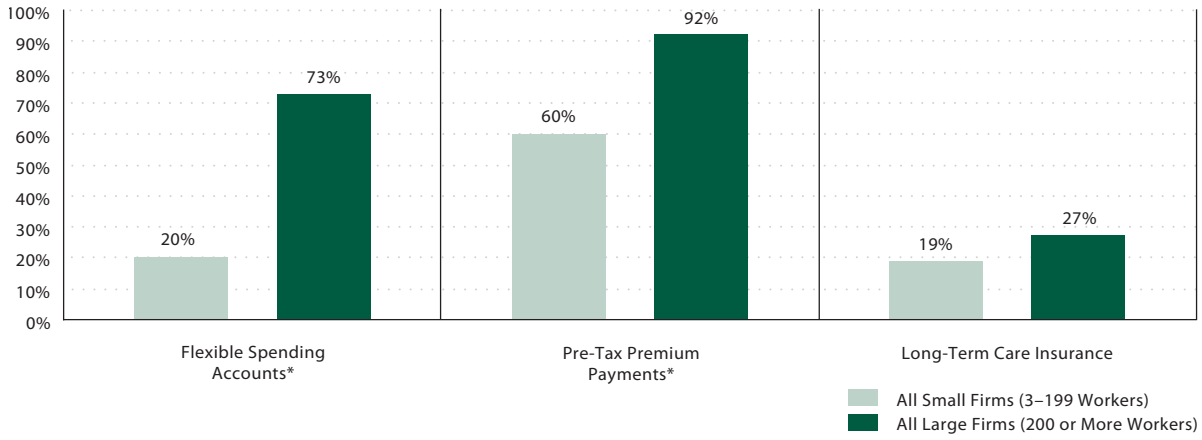
	HDHP/HRA		HSA-Qualified HDHP	
	Single	Family	Single	Family
Total Annual Premium	$3,894	$11,492	$3,826	$9,666
Worker Contribution to Premium	$617	$3,113	$413	$2,564
Firm Contribution to Premium	$3,277	$8,379	$3,412	$7,102
Annual Firm Contribution to the HRA or HSA‡	$915	$1,800	$428	$714
Total Annual Firm Contribution (Firm Share of Premium Plus Firm Contribution to HRA or HSA)	$4,192	$10,179	$3,840	$7,815
Total Annual Spending (Total Premium Plus Firm Contribution to HRA or HSA)	$4,809	$13,292	$4,254	$10,380

‡ When those firms that do not contribute to the HSA (66% for single coverage and 47% for family coverage) are excluded from the calculation, the average firm contribution to the HSA for covered workers is $806 for single coverage and $1,294 for family coverage.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

EXHIBIT I

Among Firms Offering Health Benefits, Percentage of Firms Offering Flexible Spending Accounts, Pre-Tax Premium Payments, and Long-Term Care Insurance, By Firm Size, 2007



*Estimates are statistically different between All Small Firms and All Large Firms within category (p<.05).

Note: Section 125 of the Internal Revenue Service Code permits employees to pay for health insurance premiums with pre-tax dollars and also allows the establishment of flexible spending accounts (FSAs).

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2007.

and higher cost sharing reducing service use, enrollment to date in these plans remains low.

Unfortunately, the recent moderation in premium trends has not reversed the erosion in the percentage of employers offering health benefits that occurred between 2000 and 2005. During that period, the percentage of employers offering coverage fell from 69% to 60%. While the offer rate seems to have stabilized with lower premium increases and a reasonably strong economy—it is essentially unchanged over the last three years—it is unclear what conditions would be necessary for the employer offer rate to move back toward the higher levels that we saw at the beginning of the decade.

METHODOLOGY

The Kaiser Family Foundation/Health Research and Educational Trust 2007 Annual Employer Health Benefits Survey (Kaiser/HRET) reports findings from a telephone survey of 1,997 randomly selected public and private employers. Firms range in size from small enterprises with a minimum of three workers to corporations with more than 300,000 employees. The Kaiser/HRET Employer Health Benefits Survey is based on previous surveys sponsored by the Health Insurance Association of America (HIAA) from 1987–1990 and Bearing Point (KPMG at the time of the surveys) from 1991–1998. Findings in this report draw on the Kaiser/HRET Survey of Employer-Sponsored Health Benefits; the 1993, 1996, and 1998 KPMG Surveys of Employer-Sponsored Health Benefits; and the 1988, 1989 and 1990 studies conducted by HIAA. Researchers at Health Research and Educational Trust, the National Opinion Research Center at The University of Chicago, and the Kaiser Family Foundation designed and analyzed the survey. National Research LLC conducted the fieldwork between January and May 2007. In 2007 our overall response rate is 49%, which includes firms that offer and do not offer health benefits. Among firms that offer health benefits, the survey's response rate is 50%.

From previous years' experience, we have learned that firms that decline to participate in the study are more likely not to offer health coverage. Therefore, we asked one question of all firms with which we made phone contact where the firm declined to participate. The question was, "Does your company offer or contribute to a health insurance program as a benefit to your employees?" A total of 3,078 firms responded to this question (including 1,997 who responded to the full survey and 1,081 who responded to this one question). Their responses are included in our estimates of the percentage of firms offering health coverage. The response rate for this question was 75%. Since firms are selected randomly, it is possible to extrapolate from the sample to national, regional, industry, and firm size estimates using statistical weights. In calculating weights, we first determined the basic weight, then applied a nonresponse adjustment, and finally applied a post-stratification adjustment. We used the Statistics of the U.S. Census Bureau as the basis for the stratification and the post-stratification adjustment for firms in the private sector, and we used the Census of U.S. Governments as the basis for post-stratification for firms in the public sector. In a few cases, numbers from distribution exhibits referenced in the text may not add due to rounding effects. Unless otherwise noted, differences referred to in the text use the 0.05 confidence level as the threshold for significance.

For more information on the survey methodology, please visit the Survey Design and Methods Section at www.kff.org/insurance/7672.

***The Kaiser Family Foundation**, based in Menlo Park, California, is a private, nonprofit operating foundation dedicated to providing information and analysis on health care issues to policymakers, the media, the health care community and the general public. The Foundation is not associated with Kaiser Permanente or Kaiser Industries.*

***The Health Research and Educational Trust** is a private, not-for-profit organization involved in research, education, and demonstration programs addressing health management and policy issues. Founded in 1944, HRET, an affiliate of the American Hospital Association, collaborates with health care, government, academic, business, and community organizations across the United States to conduct research and disseminate findings that help shape the future of health care.*

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[1] Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, *Health Insurance Coverage in America, 2005 Data Update,* May 2007. Available at www.kff.org/uninsured/upload/2005dataupdate.pdf.

[2] Data on premium increases reflect the cost of health insurance for a family of four.

[3] For HMO coverage, there is insufficient data to report the result.

[4] For the first time this year, we present cost sharing for prescription drugs by tier level. For example, average copayments are presented separately for those that report three or four-tier cost sharing, two-tier cost sharing, or the same cost sharing regardless of type of drug. See the introduction to Section 9 for more information available at http://www.kff.org/insurance/7672/sections/ehbs07-sec9-1.cfm

[5] For POS plans, there is insufficient data for the percentage of workers with coinsurance to make the comparison.

[6] Among those with no out-of-pocket limit for single coverage, 88% have a deductible of less than $500, 16% face coinsurance for hospital admissions, and 22% face coinsurance for an outpatient surgery episode.

[7] Data presented is for workers with a family aggregate out-of-pocket maximum where the limit applies to spending by any covered person in the family.

[8] The 2004 survey asked firms whether nontraditional partners were eligible for health benefits and, if so, whether their definition included same-sex couples or opposite-sex couples or both. In 2007, the survey asked whether firms offered coverage to nonmarried same-sex or opposite-sex couples or both.

[9] Section 125 of the Internal Revenue Service Code permits employees to pay for health insurance premiums with pre-tax dollars. Section 125 also allows the establishment of flexible spending accounts (FSAs). An FSA allows employees to set aside funds on a pre-tax basis to pay for medical expenses not covered by health insurance. Typically employees decide at the beginning of the year how much to set aside in an FSA, and their employer deducts that amount of the employee's paycheck over the year. Funds set aside in an FSA must be used by the end of the year or are forfeited by the employee. FSAs are different from HRAs and HSAs.

[10] Joy M. Grossman and Paul B. Ginsburg, "As the Health Insurance Underwriting Cycle Turns: What Next?" *Health Affairs,* 23, no. 6 (2004): 91. Alice Rosenblatt, "The Underwriting Cycle: The Rule of Six," *Health Affairs,* 23, no. 6 (2004): 103.

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